



Awareness and attitude of investors towards mutual fund investment

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Abstract

A mutual fund is almost like a cooperative society of investors. That is why the word 'Mutual' is used. It collects money from investors by issuing mutual fund units, invest it in securities, and divides whatever dividend or interest is received among its members. Small investors who are risk neutral or risk averse prefer some kind of collective investment vehicle which can pool their marginal resource, invest it in securities and distribute returns among them on cooperative principles. This led to the growth of mutual fund industry both in developed and developing capital market. The present paper makes a modest attempt to study and analyse the impact of various demographic factors on investors' attitude towards mutual fund.

Keywords: attitude of investors, Darbhanga division, mutual fund, securities and exchange board of India, unitholders

Introduction

A Mutual Fund pools the money of people with certain investment goals. The money invested, in various securities depending on the objectives of the mutual fund scheme and the profits (or loss) are shared among investor in proportion to their investment. Investments in securities are spread across a wide cross-section of industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors' in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders. The profits or losses are shared by the investors in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

The history of mutual fund can be traced back to Europe where William I established a society in Belgium for such a purpose. The foreign and colonial Government Trust of Lund in 1868 is considered to be the forerunner of the concept of mutual fund. Massachusetts Investor's Trust was the first mutual fund set up in the US in the year 1929. The mutual fund industry witnessed a boom in the US market after the 1990's and become a popular source of investment. In India, the Unit Trust of India set up the first mutual fund in 1964. Until 1987, Unit Trust of India was the sole mutual fund in the country. The Government of India amended the Banking Regulations Act, permitting commercial banks in the public sector to set up mutual funds. Further, the SEBI accorded approval to a number of players in the private sector to launch mutual funds in October 1993. After 1996, the mutual fund industry witnessed a healthy growth with the growth of investor's interest in mutual funds, the number of players operating in the industry reached new heights.

Review of literature

Desigan *et al* (2006) conducted a study on women investors' perception toward investment and found that women investors basically are indecisive in investing in mutual

funds due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressed of grievances regarding their various investment related problems. Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investors also consider various factors before investing in mutual fund. Paul and Garodia (2012) have observed that the various demographic variables like age, sex, occupation, income level has a significant impact on the pattern of investment. It states that the expectation level of different investors varies with their category. Jambodekar (2014) conducted the study to identify the various information sources that had influenced buying decision and he factors that had influenced the selection of choices of funds. This study has revealed that under the prevalent market conditions, income and open ended schemes are more preferred that growth and close ended schemes. Investors more focus on safety of principal and liquidity and choose newspapers and televisions as their mode of awareness regarding this investment.

Saxena and Sheikh (2019) ^[4] found from the study that gender is no impact on mutual fund investment intention however middle age group, high-income group, and investors with finance-related education are highly positive about mutual funds' investments. One-way ANOVA and independent sample T-test have been used to analyses the data. Tripathi (2020) ^[6] found that people are aware of a mutual fund but still, very few peoples are investing in mutual funds. Primary data was used for research. 75% of respondents are preferring a Systematic Investment Plan (SIP). Respondents are also aware of share market functioning. Respondents known that the Asset Management Company (AMC) invest their money in Share Market. Rao (2020) investigated that most of the investors are aware of various schemes of mutual funds. The Mutual Fund investors mainly belong to the age group from 19

years to 55 years and fall in the income group of Rs. 30,000 to Rs. 70,000 and above. Diversification of portfolio and tax benefit is the main factor of mutual funds that motivate the investors.

Balamurugan. S, Selvalakshmi and Asundhara (2021) analysed the factors affecting mutual fund investment and retail investor inclination. This research aims to discover the variables that influence mutual fund investment decisions and their priority over institutional investors". This project would also look at the reasons that discourage people from investing in mutual funds. The results would and mutual fund firms in identifying areas in which they should develop, as well as their marketing campaigns. It will assist MF firms in developing creative and creative products based on customer preferences. Khemka (2021) studied the investors' awareness and preference of mutual funds as compared to other investment options. The study further examines the investors' awareness about various schemes of mutual funds including that of index funds. The study reveals that the investor's perception is dependent on the demographic profile and assesses that the investor's age, gender and education has a direct impact on investor's choice of investment. The study also revealed that investors objective of investing in mutual funds are for tax savings, for retirement purpose, wealth creation and for children's education etc.

Objectives of the study

The study has been undertaken with the objectives to study and analyse the impact of various demographic factors on investor’s attitude towards mutual fund.

Research methodology

The study is basically an analytical study based on primary research as well as also related to the analysis of the attitude of investors towards mutual funds. In order to conduct this study, 300 investors of Darbhanga Division covering Districts of Darbhanga, Madhubani and Samastipur have been selected by sampling method and mainly questionnaire has been used for collecting the data. All the data required for this analytical study has been obtained mainly from primary sources, but at times, secondary sources of data have also been considered. The data collection method used to obtain the desired information from primary sources has been through direct interview and questionnaire has been used as an instrument. Basically, targeted populations belong to the of Darbhanga Division covering Districts of Darbhanga, Madhubani and Samastipur region and considering an individual investor as a sampling unit. Judgment sampling has been used for collecting the sample. For measuring various phenomena and analyzing the collected data effectively and efficiently to draw sound conclusions, a number of statistical techniques basically Chi- square test for testing of hypothesis has been used and for analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of weighted scores and scoring was done on the basis of scale. Chi-Square test of goodness of fit has been used. It is a powerful test for testing the significance of the discrepancy between theory and experiments given by Karl Pearson.

Testing of hypothesis

The following hypotheses have been taken for the study of investors attitude towards mutual funds:

There is no association between age, gender, income, education, occupation and the attitude towards mutual funds.

Analysis and findings

The study was aimed at identifying the level of attitude towards the mutual funds. The study shows that out of 300 respondents 114 respondents have a positive attitude 106 respondents have a neutral attitude and 80 respondents have a negative attitude towards the mutual funds.

The study explains the association between income and attitude towards the mutual funds. The calculated value of chi-square is greater than tabulated value of chi-square at 5% level of significance. Hence, it is highly significant and the null hypothesis is rejected at 5% level of significance. Hence, there is association between income and the attitude towards mutual funds. Altogether 20 respondents have monthly income upto 15,000, 52 respondents having monthly income between 15,000-25,000 and 46 respondents having monthly income above 25,000 have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds having monthly income above 25,000 against the others.

The study explains the association between level of education and attitude towards the mutual funds. The calculated value of chi-square is greater than tabulated value of chi-square at 5% level of significance. Hence, it is highly significant and the null hypothesis is rejected at 5% level of significance. Hence, there is association between level of education and the attitude towards mutual funds. Among the respondents, 10 respondents having qualification upto matric, 24 respondents having qualification upto intermediate, 66 respondents having qualification upto graduate and 10 respondents having qualification upto post-graduate have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds among the graduate respondents against the others.

Table 1: Association Between Occupation and Attitude Towards the Mutual Fund

Occupation	Attitude			Total
	Positive	Neutral	Negative	
Service	58	38	32	128
Business	26	36	20	82
Professionals	14	20	22	56
Others	16	12	6	34
Total	114	106	80	300

Source: Primary Data

The study explains the association between occupation and attitude towards the mutual funds. The calculated value of chi-square is less than tabulated value of chi square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence, there is no association between occupation and the attitude towards mutual funds. There is a highest positive attitude towards the mutual funds among the respondents whose occupation is service against the others. 58 respondents whose occupation is service, 26 respondents whose occupation is business and 14 respondents whose professional were positive attitude towards the mutual

funds. During the study. It was found that the investors basically invested in mutual funds due to high return potential, transparency, liquidity, flexibility and affordability.

Conclusion

The study shows that most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds. Moreover, as far as the demographic factors are concerned. Gender, income and level of education have significantly influence the investors' attitude towards mutual funds. On the other hand, the other two demographic factors like age and occupation have not been found influencing the attitude of investors' towards mutual funds. As far as the benefits provided by mutual funds are concerned, return potential and liquidity have been perceived to be most attractive by the investors followed by flexibility, transparency and affordability. Apart from the above, in India there is a lot of scope for the growth of mutual fund companies provided that the funds satisfy everybody's needs and sharp improvements in service standards and disclosure.

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